To Whom it May Concern:

We welcome the opportunity to comment on the proposed rules defining "venture capital fund" (VCF) in association with the VCF Exemption as stipulated in the subject release and their impact on Cardinal Partners as a member of the venture capital investment community.

By way of background, Cardinal Partners was founded in 1997 by veteran venture capitalists John Clarke, Brandon Hull and myself. Cardinal has three venture capital investment fund vehicles, with a combined $400 million under management. Cardinal makes equity investments solely in early-stage health care focused businesses, almost all of which are pre-revenue. We are active advisors to our portfolio companies, almost always requiring a seat on the Board of Directors.

We are writing in support of the letter sent to Elizabeth M. Murphy on January 13, 2011, by Mark Heesen, President of the NVCA (NVCA Letter). We specifically would like to point to specific Issues that were addressed in the letter that would cause Cardinal Partners to fall outside of the VCF definition as currently proposed.

1) Public Company Investments - Our partnership agreements contain provisions for investment of up to 10% of total fund commitments in public companies. This has been stipulated by our investors to allow us to make investments in our portfolio companies, when and after they have become public. We have in fact had two instances where a portfolio company would not have completed an initial public offering (IPO) if the venture capital investors had not participated in the IPO.
2) Secondary Transactions - as a general rule, Cardinal purchases equity securities directly from the portfolio company. In a very limited number of cases, it has been necessary for us to purchase securities from current shareholders of the portfolio company in order for the financing to be completed. However, in NO case have purchases from existing shareholders ever exceeded 15% of the total investment by Cardinal in a proposed financing.
3) Bridge Loans – in today's difficult fundraising environment it is often the case that Cardinal is required to provide financing to its portfolio companies until a subsequent financing round has been completed. These financings typically take the form of convertible promissory notes. However, in certain circumstances, it is not prudent for Cardinal to make the investment in a convertible form and will

We believe a reasonable modification to the proposed VCF definition to capture these non-standard but often necessary scenarios is the "basket approach", as was proposed in the NVCA letter, where a permissible level of non-qualifying investments or activity is allowed, not to exceed a percentage (15% of capital commitments).

We appreciate all the effort of the Commission in formulating a VCF definition that incorporates much of the investment activity undertaken by Cardinal Partners and other venture capital firms with which we have worked. We believe that with the limited modifications as put forth above and as contained in the NVCA letter, the intentions stipulated by Congress in the Dodd-Frank Act will be achieved.

Thank you for your attention.

Sincerely,

John J. Park
General Partner & CFO

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